

**The State of Small Business
At NASA**

Remarks by Administrator Daniel S. Goldin

**Minority Business and Advocates
Awards Ceremony
September 21, 1999**

Thank you, Ralph, and good afternoon, ladies and gentlemen.

You know, Ralph mentioned that I just received the Parren J. Mitchell Pioneer Award earlier today and I am so proud of that.

Former Congressman Mitchell firmly believed that our government could not perform its strategic mission at its best without the full participation of minority entrepreneurs.

And he was tenacious, proactive, innovative and passionate about changing a federal system that did not provide for that. He was a true pioneer and sponsored laws that provided the impetus for NASA to excel in this most important area.

However, when we set out in 1992 to make NASA's small business program the best in the federal government we did not set out to excel in having the best "social" program for minority businesses in the government; we did not even set out to increase our use of minority businesses to remedy the negative societal impact of past discrimination.

How could we possibly harmonize that with the highly complex and extremely technical nature of what we do here at NASA? There are human lives at stake; there are expensive spacecraft and sophisticated equipment at risk. accomplishment of our strategic mission here requires performance excellence, superior quality, and outstanding business management. How could we square that with anything that looked like a "hand-out" program?

Yet at the same time and because of the daily risk to human life and expensive equipment our agency faces, we knew that it would be negligent and even reckless of us to try to perform our mission by limiting the technical ingenuity which we draw upon to one race, or one gender, or just one business size.

Our premise was that there were minority businesses already out there that could perform to NASA's high standards. They only needed the chance to prove it. We knew that many minority businesses were performing in the high-tech arena for other federal agencies and the commercial market.

Our task was to find them and then have a user-friendly process at NASA to acquaint them with our procurement culture when they came here.

We knew that we would also need to provide contract opportunities for which they could compete so that they could demonstrate their superior technical skills to us.

The idea was to provide them with what they needed to transition the high-tech capabilities they already had into the context of contracting with NASA.

So like Congressman Mitchell we were pioneers too, because many of the initiatives we started back then had never been tried before. I remember back in '92 when NASA struggled to meet a goal set for us by Congress. we were to award at least 8 percent of our contract and subcontract dollars to small disadvantaged business (SDBs).

As much as we tried, the traditional procurement methods we employed to meet the goal were simply not enough. So we used a rarely cited provision of one of the existing procurement laws to jump out of the box. That provision allowed an agency head to use less than full and open competition on certain contracts when it was in the public interest to do so.

Well it was certainly in the public interest for us to meet our 8 percent goal, so I had each of our ten NASA field centers submit two or three contracts that could be set-aside for small disadvantaged businesses, and further directed that every attempt be made to ensure that these contracts were high tech contracts.

The centers identified 26 contracts worth about \$314 million. We then petitioned Congress for permission to set-aside the contracts for competition among both 8(a) and non 8(a) small disadvantaged businesses. Congress had 30 days to consider our petition. If just one house member or senator objected, the plan could not go through.

Well, no one objected. No one. And as a result, we were able to hold the competitions and award the contracts, thus expanding our base of competitive, experienced contractors who could help us perform our mission.

And that was only the beginning. Everyone needed to know how important minority business participation is to NASA's acquisition structure. That's why I elevated the position of Director of the Office of Small and Disadvantaged Business Utilization to Associate Administrator for Small and Disadvantaged Business Utilization. Ralph Thomas became the highest ranking head of a small business office in the federal government. And all of you know what a great job he's been doing since then!

I established a Minority Business Resource Advisory Committee (MBRAC) to advise me on innovative ways to further improve our utilization of small disadvantaged businesses.

Most importantly, I made the senior managers and center directors responsible and accountable for the level of minority business participation in their individual programs and missions.

The purpose of all this was to get the NASA team to make small and disadvantaged business utilization as important a task as any other NASA mission.

From those early initiatives came a series of other unique innovations. For example, we started an intensive training program for small disadvantaged businesses in advanced technologies. We have trained over 800 CEOs and senior business executives thus far, and two years ago we opened up this training to all small businesses.

We started a quarterly aeronautics SDB forum in which our highly technical SDBs are given the opportunity to present their capabilities to the technical managers at our aeronautics research centers. Not only have the presentations resulted in awards of more than \$70 million in contracts and subcontracts, but NASA's centers have adapted and improved the program.

For example, the Langley Research Center turned what used to be a two-hour affair involving three or four small disadvantaged businesses into an all-day event involving tribal colleges, Hispanic serving institutions and historically black colleges and universities, in addition to the SDB community. These events now receive regular media coverage

The quarterly aeronautics SDB forum also gave rise to the "Semi-Annual Science Forum for Small Businesses." That's where highly-skilled small firms, including SDB's and women-owned businesses, present their capabilities to our science program managers.

Earlier this year, one of the presenters in that forum---Dr. Susan Wu of ERC, Inc. in Tullahoma, Tennessee---received a \$35 million, 10-year contract with the Air Force as a result of an SBA representative hearing her presentation that day.

And in 1995 we started a mentor-protégé pilot program. Our proteges are involved in such complex areas as ground segment-to-spacecraft integration, test and flight operations from launch to orbital checkout, and flight control and training automation. This program has been so successful, it is now a permanent part of our acquisition procedures.

From the beginning, NASA's senior managers and center directors were involved in our minority business effort. Well, we decided to do that externally as well as internally, so in 1993 we started the Prime Contractors Roundtable.

In this forum, representatives of the top NASA prime contractors meet several times a year with our small business office to initiate innovative methodologies for subcontracting to small disadvantaged businesses.

Since the inception of this group NASA has increased its subcontract dollars to SDB's from \$550 million to over a billion annually.

In fact, NASA now subcontracts a higher percentage of its total contracting dollars to minority-owned firms than any other federal agency. And, interestingly enough, we also subcontract a higher percentage of our total contracting dollars to women-owned businesses than any other agency.

I am so pleased that NASA centers are following through on this initiative. Just last week, the Johnson Space Center started its own prime contractors roundtable.

Now we integrate minority businesses into our strategic mission through a system we call QQI---quantity, quality and institutionalization. Our goal is to increase the quantity of dollars that go to minority firms, improve the quality of contracts that go to them and institutionalize those processes and procedures that prove effective in doing so.

And I think we are on the right track in all 3 areas. Let me speak first with regard to quantity. When I came to NASA in April of 1992, we had just awarded 6 percent of our total contract dollars to SDBs in the previous fiscal year, or about \$700 million. however, our legislatively mandated goal was 8 percent.

I promised Congress we would make the 8% goal by FY 94. But thanks to the dedication of the NASA team, we did it a year early. In FY 93 we awarded 8.5 percent of our total dollars to SDB's, almost a billion dollars. But the best was yet to come.

Every year we would improve a little more, and then in FY 97 we awarded 14.5 percent of our dollars to SDB's, about \$1.75 billion. That was the highest we've ever done. We now award more contract and subcontract dollars to SDB's than any other civilian agency. We award more dollars to SDB's than any other federal agency except the Department of Defense – whose budget is ten times larger than ours, by the way. But we still have a higher percentage of dollars going to SDB's than they do.

Today, instead of having to make promises to Congress, I consistently get requests to bring NASA's small business program to their districts. So we developed formal "Congressional District Small Business Briefings" for members, their constituents, and firms that seek to do business with us.

We've come a long way in improving the quality of contracts going to SDB's too. two-thirds of the direct dollars that we award to minority SDB's are in the high-tech arena.

Moreover, minority-owned firms have been involved as contractors in our most critical space missions, including the International Space Station, the Mars Pathfinder, the Hubble space telescope, the "John Glenn" launch and the Lunar Prospector, to name a few.

And these companies have been incredible partners with NASA. They are engaged in such mission critical activities as developing subsystems for complex spacecraft, building non-rocket-powered vehicles to fly at hypersonic speeds and manufacturing hardware for use in a wide spectrum of sophisticated applications.

We have recognized them not only with minority business awards but with the highest of agency-wide awards, including the coveted George M. Low Award, which recognizes a company's achievement for quality management production and cost consciousness.

Finally, many of the initiatives that helped us get to where we are have been institutionalized into our normal procedures for doing business.

For example, our uniform methodology of subcontracting goals is now a NASA policy directive. Putting SDB subcontracting goals into our contract solicitations is now a part of NASA procurement regulations, as is monitoring a prime contractor's SDB subcontract performance by giving or withholding a percentage of the award fee on cost reimbursement contracts.

And internally, we have also institutionalized the process by giving a one-day course 4 times a year to a cross-section of our agency's technical, procurement and administrative personnel. Perhaps the most important thing they learn is the value added benefit of utilizing minority and women owned firms aside from laws and regulations that require it.

Now I should say that the improvements we have made with minority small business have not come at the expense of other small businesses.

For example, as we doubled our awards to minority SDB's, we tripled our total awards to women-owned businesses. In fact, I am quite proud that the National Women's Business Council recently cited NASA as one of eleven public and private entities in the United States having the "best practices" for increasing contract opportunities for women-owned businesses.

We are also awarding more prime contract dollars to small businesses overall than ever before. In FY 98 we awarded \$1.2 billion to small businesses in direct awards, up from \$870 million in 1992, when I arrived here. And the overall percentage of our

dollars to non-minority small businesses has not suffered as a result of our improved accomplishments with small disadvantaged businesses.

That's because many of the initiatives we develop for minority and women-owned businesses have been opened up to all small businesses, such as our training program, our science forums, and our major procurement conferences.

For example, we have a mid-range procurement program where all of our contracts in the \$25 thousand to \$2 million range are reserved for small businesses, if there is a small business that can do it. That program also has a streamlined process, so small businesses can be awarded these contracts in a lot less time and with a lot less hassle.

Another important feature we have for all small businesses is that vendors can now sign up for automatic email notification of the types of NASA procurements they are interested in---from any NASA field center or all NASA field centers.

This service gives small businesses prompt and easy access to business opportunities at all NASA centers and eliminates the paperwork that vendors previously had to submit to each center.

This service followed the proactive initiative we had already taken of posting all contract opportunities over \$25,000 on the internet. We are the first to have an agency-wide procurement system on the internet.

And we are very pleased that the General Accounting Office has found our system to be a possible model for government-wide notification system of contracting opportunities.

Now, getting back to minority-owned businesses. We figured out a long time ago that we could increase the quantity of dollars that went to minority businesses and we could improve the quality of contracts that went to minority businesses, and we could institutionalize all of the great things we were doing to get there. But we realized, too, that it was all for naught if these businesses simply folded after graduating from a federal program, such as the 8(a) program. What would happen when a firm was no longer considered socially and economically disadvantaged and could no longer obtain contracts through such a vehicle?

Well, I asked our Minority Business Resource Advisory Committee (MBRAC) to report on the status of 8(a) contractors who had performed high-tech contracts for NASA and have since graduated from the 8(a) program.

Now I'm not saying that I was totally satisfied by what they reported back to me, but I was very encouraged by it.

First of all, we had a 97 percent (97%) response rate to the survey.

And it was refreshing to note that sixty-two percent (62%) of the 8(a) graduates that had completed their 8(a) contracts with NASA are doing business with other federal agencies.

Sixty-eight percent (68%) of the graduates are doing work in the commercial market, while thirty percent are doing business in the international market.

A third of the graduates have average annual sales of between \$11 million to \$25 million; almost another third (32%) had annual sales between \$1 million to \$10 million; and twenty-six percent of the graduates have annual sales of over \$26 million.

There were a number of individual success stories volunteered by some of the graduates.

For example, one company reported growing from a \$250 thousand company in 1990 to a \$56 million firm in 1998; another firm said they grew from a million dollar company to a \$40 million business.

In fact, seventy percent (70%) of the graduates directly attributed their success and development to their NASA experience, while another seventeen percent (17%) indirectly attributed their success to NASA.

The graduates did have some concerns. Certainly everyone was not doing great, and we're maintaining a close follow-up with these companies. But this survey does tell us something.

It tells us that if an agency does what NASA has done to fully integrate minority businesses into its strategic technical mission it will, like NASA, experience results beyond its wildest dreams.

Currently, 20 percent of the minority contractors on NASA's "top 100 contractors" list are either 8(a) graduates or are transitioning from the program. NASA's 8(a) graduates are competing head-to-head with much larger, established, and older firms...and winning!

And our success has not gone unnoticed. The Parren J. Mitchell Pioneer Award is simply the latest of numerous awards, citations and other forms of recognition that NASA has received from every quarter.

They have come from such organizations as: the National Association of Small Disadvantaged Businesses, the Latin American Management Association, the Asian American Business Roundtable, the National Women's Business Council, the Minority Business Technology Transfer Consortium and the National Association of Minority Contractors.

We have received awards from government organizations such as the Small Business Administration, the Department of Commerce, the Office of Personnel Management and the Federal Small Business Directors Interagency Council

And we have received awards from other professional organizations like the American Bar Association and the National Contract Management Association. We have even received a prestigious international award from the World Association of Small and Medium Enterprises. That was quite an honor even though Ralph Thomas had to go all the way to Bombay, India to get it.

I could go on and on. But remember, the only reason this program has worked is because the minority businesses, the women-owned businesses, and small businesses overall have performed for NASA.

They have met the agency's standards of high quality production, austere cost consciousness and outstanding business management. And you can rest assured that those that can't demonstrate to our satisfaction that they can meet those standards do not get contracts.

And on those very rare occasions that a minority business has a contract and does not perform to those standards, the contract is taken from them.

So there are no free rides here. Every business, whether it be large or small, male or female, minority or non-minority, must meet the same standards to work for NASA.

So where do we go from here? What is our strategy for taking this program into the new millennium? Simply put, we want to develop new goals and we want to leave a legacy behind for all to draw on after we leave NASA. And how do we do that?

First of all, we still have a lot of work here at NASA before we reach perfection. We're still a long way from where we want to be. Getting all these awards just raises my adrenaline to do much more than we're already doing because we now have to live up to the reputation that we now have.

Secondly, we want to spread our best practices to as much of the federal government as possible. There is no sense in re-inventing the wheel. We will be monitoring our activities in this regard and measuring our success.

We also want our philosophy, commitment and implementation to be integrated into structures and cultures of major prime contractors that do business with NASA and other federal agencies.

We want to spread these best practices beyond our own borders. We want to take them to any ally interested in adapting our small business approach into their

government contracting culture. And we will also be monitoring and measuring our success in doing that.

As for new goals, we are going to make a big thrust in the next year to get SDBs more involved in technology transfer and technology commercialization. And at the same time, we will reshape our internal structure to be user friendly to any business seeking to commercialize NASA technology. That is the minority business empowerment Congressman Mitchell always talked about.

Also, in order to have a world class small business program, an agency needs a world class small business office. And that's why I and the rest of the agency will be working with Ralph to make his office is the first and only federal office of small and disadvantaged business utilization to be ISO-9000 certified.

The process has already started and should be complete by May 2000.

And finally, ladies and gentlemen, this is usually something I mention first but I've saved it for last in this case only because it's the first thing I want you to think about when you leave here today. And that is the issue of safety.

The lives of the astronauts and all of the men and women who work at NASA are ultimately my responsibility, and I accept that responsibility. But, as contractors, it is also your responsibility. Death and serious injury discriminate against no one. Thus, we will be taking steps to ensure that safety is the number one concern of everyone associated with this agency, including our contractors. It does not matter whether they're large or small, male or female-owned, majority or minority-owned. You must make safety the most important part of your business culture and never be satisfied with your progress in it.

Well, that is the state of small business at NASA. We have a past we can be proud of and a future we can proudly look forward to.

And in everything we do at NASA, we will honor the shining example of Parren Mitchell. Like him, we know that America is at her best only when all of her sons and daughters have the chance to prosper.

NASA has the need and you have the brain power. Let's seize the future together. Thank you.

And now, lets get on with the awards.

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